

Application No. 18-04-____
Exhibit PAC/213
Witness: Kurt G. Strunk

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

PACIFICORP

Exhibit Accompanying Direct Testimony of

Kurt G. Strunk

Bond Yield Plus Risk Premium

April 2018

**PacifiCorp California
Bond Yield + Risk Premium**

	Model Parameters			Model Results		
	Analysis (a)	Bond Rate ¹ (b)	Slope (c)	Intercept (d)	Risk Differential (Utilities Relative to Bond Yields) ² (e) = (b)*(c) + (d)	Risk Premium Model Equity Return (f) = (b) + (e)
Electric						
Authorized Returns to Risk Free Rate ³		3.12%	-0.598256321	0.087375	6.87%	9.99%
Authorized Returns to BBB Utility Bond Yield ⁴		3.62%	-0.725523411	0.090236	6.40%	10.02%
Authorized Returns to Baa Corporate Bond Yield ⁵		4.46%	-0.589606502	0.079301	5.30%	9.76%
Authorized Returns to A Corporate Bond Yield ⁵		4.06%	-0.609200972	0.08261	5.79%	9.85%
Authorized Returns to BBB Corporate Bond Yield ⁶		4.74%	-0.572873268	0.077343	5.02%	9.76%
Average						9.87%

Notes:

Authorized Returns are yearly averages from SNL Financial.

¹ Bond yields are as of February 12, 2018.

² The formula is $y = ax + b$, where y is a vector of authorized returns, a is the slope, x is a vector of bond yields, and b is the intercept.

³ The Risk Free Rate is the annual average of 30-Year daily Treasury Yields, 1994-2017. 20 Year Treasury Yields are used in 2003-2005 when 30-Year Yields are not available. Source: FRED.

⁴ Source: The BBB Utility Bond Yield is provided by Bank of America Merrill Lynch Utility Bond Index, FactSet Data Systems.

⁵ Moody's seasoned average annual returns. Source: Bloomberg.

⁶ Source: The US Corporate Bond 15+ Year BBB Yield, FactSet Data Systems.